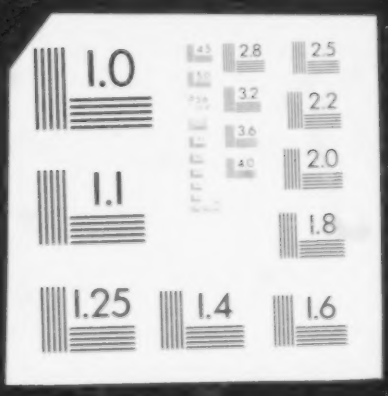

1.0
1.1
1.25
1.4
1.6
1.8
2.0
2.2
2.5
2.8
3.2
3.6
4.0

BC Transit Service Plan

2004-2007

FEBRUARY, 2004

BC Transit

www.bctransit.com

Honourable Kevin Falcon
Minister of Transportation
and Minister Responsible for
British Columbia Transit

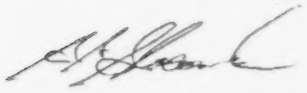
I am pleased to provide you with the BC Transit Corporate Service Plan for the period April 2004 – March 2007. The Plan provides a description of our major strategies and action plans to ensure the provision of efficient and effective public transportation to 1.6 million British Columbians residing in the 50 communities which partner with BC Transit in service delivery.

These strategies include a number of initiatives to enhance service quality, and provide support for the community priorities of our many local government partners.

The performance and budget tables in this Plan indicate that by year 2 it may be necessary to reduce service levels as some external cost factors such as fuel, insurance and capital assets once again put pressure on our budget targets. The Board of Directors and BC Transit staff, in conjunction with our partners, are continuing to make every effort to offset these external factors with a number of efficiency and cost containment initiatives.

Our goal is to fulfill the consensus views of our community partners and customers, who treat the protection — or even enhancement — of transit services as an important priority.

The Board of Directors will continue to report on the success of our efforts to ensure that core services are protected, and the means to enhance services for growing markets are identified and pursued.



GREGORY SLOCOMBE, CHAIR
BC TRANSIT BOARD OF DIRECTORS

106-00456/

BC TRANSIT SERVICE PLAN 2004-2007

TABLE OF CONTENTS

MESSAGE FROM THE PRESIDENT	2
ORGANIZATIONAL OVERVIEW	3
STRATEGIC CONTEXT	5
CORPORATE GOALS AND OBJECTIVES	11
CORPORATE STRATEGIES	12
SUMMARY FINANCIAL OUTLOOK	15
PERFORMANCE MEASURES, TARGETS AND BENCHMARKS	19

LIST OF TABLES

Table 1	BC Transit Fleet Acquisition Profile (# of Buses)	8
Table 2	Corporate Budget Forecast 2003/04 – 2006/07	15
Table 3	Risk Factors and Sensitivities	18
Table 4	Victoria Regional Transit System Forecast Performance Measures 2003/04 - 2006/07	19
Table 5	Victoria Regional Transit System Financial Benchmarks 2002 Canadian Transit System Comparison	20
Table 6	Victoria Regional Transit System Performance Benchmarks 2002 Canadian Transit System Comparison	21
Table 7	Municipal Systems Program Forecast Performance Measures 2003/04- 2006/07	23
Table 8	Municipal Systems Program Performance Benchmarks 2002 Canadian Transit System Comparison	24

APPENDICES

Appendix A	Strategies/Action Plans and Performance Targets for 2004-2007	i
Appendix B	Explanation of Statistics and Performance Measures Used	iv
Appendix C	BC Transit Governance Structure	v

MESSAGE FROM THE PRESIDENT

This Corporate Service Plan presents the principal goals, objectives and strategies that will guide the Corporation in the delivery of service and programs for the 2004/05 – 2006/07 fiscal years.

While continuing to meet the diverse public transportation needs of our many local government partners and customers, increased effort has and will continue to be focused on the efficient delivery of transit service through enhanced information management tools, innovative service designs, strategic purchasing and cost control initiatives.

The Corporation has been faced with significant cost pressures in major expenditure areas over the past few years. This includes fuel, insurance, vehicle parts and employee benefits plans, where prices have increased at rates well above general inflation. As well, demands for capital expenditures are increasing for replacement of vehicles, facilities and equipment, reflecting the age profile of these assets.

Efforts to offset the combined effect of these trends have been successful in reducing cost pressures, but prices are continuing to rise in areas beyond the direct control of the Corporation and this will remain a major challenge over the next three years. The Plan forecast indicates that under historic cost-sharing assumptions there will be a significant funding shortfall in the second and third years.

Staff have broadened partnership arrangements to agencies and businesses requiring increased service or benefiting from existing services. These partnerships augment funding or provide support in kind to sustain or enhance local services. Non-traditional funding sources are being developed further and the approval by government of a "flex" funding option in the BC Transit Regulations, where local governments wishing to sustain or enhance service have the ability to proceed using local resources, is expected to be used in more communities.

Staff is working to support several local and regional community growth and transportation plans to ensure that the priorities and future expectations for public transportation are well understood and clearly linked to community goals.

This Plan also includes a description of the efforts to enhance vehicle, facility and service performance through use of new technology to achieve financial and environmental sustainability. Support of the government's goal to promote mobility and access to jobs, education and community services is also a key principle underlying the service and operational initiatives that are included in this Plan.

R.H. IRWIN
PRESIDENT AND CEO

ORGANIZATIONAL OVERVIEW

BC Transit is the provincial Crown agency charged with coordinating the delivery of public transportation throughout British Columbia outside Greater Vancouver. In partnership with local government, the Corporation's mandate includes planning, funding, marketing, and contracting for the operations of transit services. According to the British Columbia Transit Act (Section 3.1) BC Transit is to:

"... plan, acquire, construct or cause to be constructed public passenger transportation systems and rail systems that support regional growth strategies, official community plans, and the economic development of transit service areas", [and] "to provide for the maintenance and operation of those systems."

The present program scope is as follows:

- 50 local government partners and the Victoria Regional Transit Commission
- 19 private sector operating companies and 14 non-profit agencies contracted to provide service
- 37 million passengers carried annually
- 1.6 million B.C. residents served with public transit
- 71 transit systems
- fleet of 700 buses, minibuses and vans
- $123.0 million 2004/05 budget, with a provincial contribution of $45.5 million.

Working in a framework of provincial/local government/private partnerships, BC Transit benefits from a strong component of local government decision-making and private sector expertise. Victoria is the only location where BC Transit directly operates the conventional transit service. In four locations (Nanaimo, Nelson, Powell River and the Sunshine Coast) the municipality operates the service. Elsewhere, private sector companies or non-profit societies deliver services under contract to BC Transit and the municipal funding partner.

Three types of transit ensure services are tailored to local markets and community needs. ***Conventional transit*** serves the general population in urban settings using mid-sized, large or double deck buses — mostly fully accessible and low-floor — with fixed routes and fixed schedules. Recent conventional transit innovations have ranged from Community Bus to Bus Rapid Transit. ***Custom transit*** serves those who cannot access conventional transit because of a disability, using vans and minibuses for dial-a-ride, door-to-door handyDART service, and through contracted Taxi Supplement and Taxi Saver (discounted coupon) programs. In small town, rural and suburban areas ***paratransit*** offers flexible routing and schedules for passengers using minibuses, taxis and vans.

BC TRANSIT'S PUBLIC-PRIVATE PARTNERSHIP

- Provide local funding
- Approve fares and service levels
- Set system service/ridership objectives
- Promote ridership

- Provide provincial funding
- Administer contracts
- Set performance standards
- Audit Systems
- RFP process to select operating company
- Professional services (including planning, marketing, fleet)

- Deliver specified transit service
- Provide trained staff
- Manager labour relations

STRATEGIC CONTEXT

VISION

In recognition of the pivotal role public transportation plays in sustaining vibrant, healthy communities, BC Transit's vision is for the:

> ***Development of transit services, in partnership with each community, to provide essential mobility and travel choice for all residents, where costs of traffic congestion are reduced, air quality and associated health benefits enhanced, more compact and efficient urban development supported and costly new roadway construction deferred.***

MISSION

BC Transit's mission statement integrates the Corporation's purpose, products and client base:

> ***To excel in the provision of safe, reliable, cost-efficient and market-focused public transportation systems that support the social, economic and environmental goals of the customers and communities served.***

VALUES AND GOVERNANCE FRAMEWORK

BC Transit strives to ensure that the wide-ranging benefits of public transportation — access to jobs, education and health care; reducing transportation infrastructure and traffic congestion costs; contributing to improved air quality; and enhancing community and regional development — are realized to the fullest extent possible. BC Transit manages within the governance framework prescribed in the BC Transit Act and is guided by the following core values:

JOINT PROVINCIAL AND LOCAL GOVERNMENT REPRESENTATION ON THE BOARD OF DIRECTORS

The Corporation is governed by a seven-member Board of Directors appointed by the province according to the BC Transit Act. The Act requires four of the Board members to be municipally elected representatives. The Chair reports to a provincial cabinet minister (see Appendix C).

A STRONG COMMITMENT TO PARTNERSHIPS

BC Transit is committed to building partnerships to meet the transit needs of British Columbians. The year 2004 marks the 25th anniversary of British Columbia's innovative transit structure involving BC Transit, local government and private operating companies. Each party brings expertise to the public-private partnership to deliver effective and efficient transit service. This arrangement is being extended as BC Transit invites others — including

major employers, universities and colleges, school districts, and First Nations—to participate financially and operationally in local transit partnerships.

TRANSPARENT LOCAL DECISION-MAKING

The local partners in the transit program, including regional districts, municipalities and the Victoria Regional Transit Commission, establish bus routes and set service levels, and raise the local share of the annual budget for transit through taxes and fares. The partners also approve their local share of the annual budget each year in open Council / Board / Commission sessions, and recommend approval of the annual budget to the BC Transit Board of Directors.

OTHER CORE VALUES

- Ensuring safety and security for customers, staff and the public
- Innovation in planning, fleet procurement, service delivery, customer service and administration
- A market focus to maximize service convenience and appeal to transit riders
- Sound financial practices, and a competitive procurement process to ensure the highest value is received for dollars spent
- Environmental stewardship through responsible purchasing practices and facilities management, as well as support for community agencies that encourage environmentally responsible transportation.

ISSUES, OPPORTUNITIES AND RISKS

The central strategic issues identified in last year's Service Plan — the challenges of satisfying the priorities of municipal partners and their transit markets, within protected provincial funding limits, and cost pressures in a number of areas — will continue to be key for BC Transit in the next three years.

Local and world events of the past several months, including the issue of global security, SARS, and the forest fires and flooding in British Columbia have had indirect repercussions for transit. For example, transit supply costs, such as oil price levels and insurance rate volatility, have been affected by external events. The market for transit has also been affected by fluctuations in tourist travel and economic challenges in resource-based communities. Nonetheless the economic and other benefits of public transit have continued to be realized through the provision of flexible services, tailored to community-specific requirements.

Looking ahead three years, the following major issues and opportunities are expected to impact and influence BC Transit's services and program delivery.

THE FUNDING CHALLENGE

The most significant issue will be working within available funding resources to protect core transit service levels.

BC Transit legislation specifies cost sharing for transit between the Authority and its municipal partners. Beginning in fiscal year 2003/04, the province initiated "flexible funding" by offering municipal partners the option of electing to fund a higher percentage of cost-shared expenditures. Through a combination of some municipal partners taking advantage of flex-funding, success in achieving further service efficiencies, and the supplemental funding that was provided by the province, it has been possible to protect core services in the 2003/04 fiscal year. As well, the province has given approval to one-time supplementary funding in the maintenance area for an accelerated overhaul program. The Ministry of Transportation has also indicated that limited supplementary funding for each year from 2004/05 to 2006/07 may be available. These funds, together with BC Transit's efficiency and cost management measures, will be adequate to again protect core service levels in the 2004/05 fiscal year.

In Victoria, service reductions have been mitigated by a two-year flex-funding commitment by the Victoria Regional Transit Commission, the implementation of community bus and the 0/0/0 net compensation guidelines for employees. In year 3 the Victoria Regional Transit System service level would revert to the year 1 level without further "flex" or other funding commitments. In the Municipal Systems Program service hours will decline 8% from current (2003/04) levels by year 3 of this plan, given current funding levels and "flex" funding resolutions continuing in effect for those communities currently exercising this option.

FINANCIAL RISKS

In the three year plan period, the transit industry will continue to be exposed to cost volatility in several areas as outlined on page 16.

Services contracted in the Municipal Systems partnership and the Victoria Regional handyDART system comprise almost 60% of BC Transit's operating budget. The majority of these services are competitively tendered, and in the past several years BC Transit's efforts to keep cost increases to a minimum in contracted services have been successful. In the forecast period there is, however, an inherent risk that market supply factors not under BC Transit's direct control may contribute to increased costs from these transit service providers.

Labour costs in the Victoria Regional Transit System (VRTS) comprise 31% of the Corporation's annual budget. Collective agreements expire on March 31, 2004, and BC Transit is committed to the province's 0/0/0 net compensation mandate.

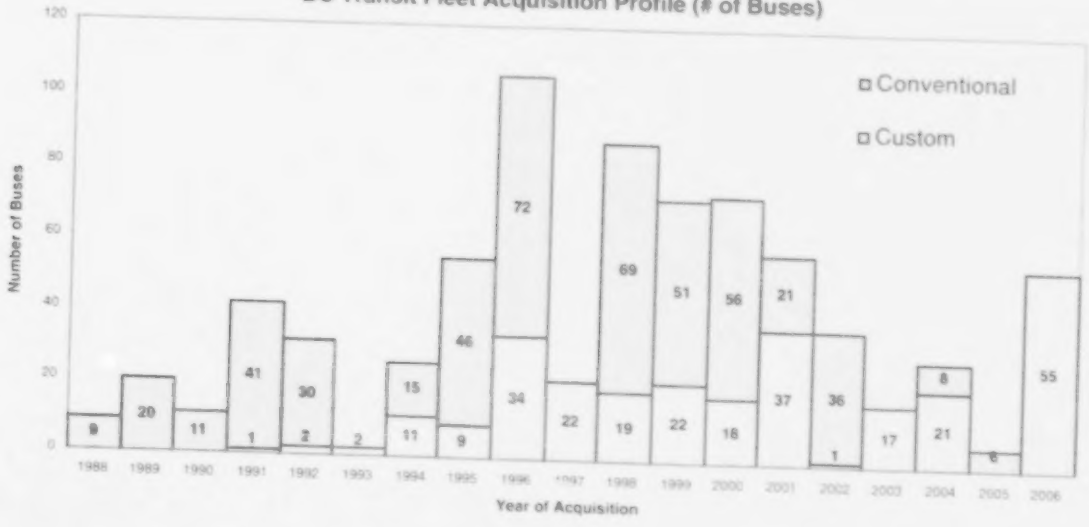
Maintenance needs are a key budget pressure and are a challenge to predict, due to an aging fleet and the increased complexity of mechanical and electrical components. Budget restraint in recent years has resulted in the deferral of some types of maintenance. Major component overhauls and reconditioning will be required over the next three years.

With the continuing requirement to replace aging, obsolete transit vehicles and to upgrade/replace some aging assets and systems, the debt servicing costs for the entire BC Transit program are forecast to rise from $23.1 million in the current year to $27.5 million by

year 3 of this plan. The largest single element of the increase is the capital requirement for replacement vehicles. Even though the three year plan period is a time of lower than average vehicle replacement, based on the fleet age profile (see Table 1) cost pressures continue with, for example, conventional buses purchased in the early 1980s for $100,000 - $125,000 now costing over $500,000.

Table 1

BC Transit Fleet Acquisition Profile (# of Buses)



Insurance and fuel costs have all risen dramatically in recent years. The Corporation's long-term fuel supply agreement expires on March 31, 2005, and fuel costs after that date will be subject to oil price and currency fluctuations.

MAINTAINING SERVICES WITH FEWER RESOURCES

Given the funding and financial challenges discussed above, maintaining service levels with fewer resources — while still making progress on the Corporation's community development and environmental goals — will be the Corporation's primary focus in the next three years. The service strategies outlined later in this report — finding service efficiencies; service reallocations to areas with greater market opportunities; maximizing non-traditional revenue sources; developing new transit partners; controlling administrative and supply costs and strategic purchasing initiatives - will be the means by which BC Transit will address these challenges.

BROADENING THE TRANSIT PARTNERSHIP

In the Municipal Systems Program there are now several examples in place of partnership arrangements in which new community partners make contributory payments for the costs of establishing new transit services. These services link activity centres (such as recreation or

business enterprises) to the transit system, or enhance existing services to these centres. BC Transit has also entered into similar agreements with First Nations to extend transit services to lands adjacent to, but not within, existing transit service areas.

As well BC Transit has worked in formal partnership with a number of School Districts which have withdrawn from directly providing some of their school busing services. Instead the School District makes support arrangements and promotes the municipal transit service, which is modified to accommodate student travel. A special student tariff is usually set.

In the Victoria Regional Transit System, BC Transit will continue to work with local school districts to identify opportunities for better coordination of transit schedules and school start and finish times. While there have not been the same contributory payment arrangements as in the Municipal Systems, these school service initiatives serve an important market development purpose, and are supported by the Youth Pass program, targeting one of the fastest growing market segments in the region.

LINKING SMALL COMMUNITIES AND SERVICES IN RURAL AREAS

With the trend towards consolidation of government services in larger regional centres, and a greater emphasis on home care, public transit is becoming a more essential link for residents living in small towns and rural areas. There is a steadily growing demand for transit in these communities, particularly for seniors and individuals with low incomes. By providing access to jobs, retraining and services, BC Transit's small town and rural transit programs support the provincial priorities of a strong economy and safe, healthy communities.

BC Transit is working with half a dozen regional districts, towns and villages not currently part of the Municipal Systems Program to identify rural linkage priorities. Every attempt will be made to begin providing some of the highest priority services within the budget constraints set for this three year plan period.

PARTNERING IN THE DEVELOPMENT OF VANCOUVER'S 2010 OLYMPICS TRANSPORTATION PLAN

Whistler and BC Transit are partners in the delivery of transit in the resort municipality. BC Transit has participated in the successful Olympic Bid as a member of the Whistler Transportation Work Group. The Organizing Committee of the Olympic Games (OCOG) was formed in the fall of 2003. It is expected that in 2004 the OCOG will invite BC Transit to be a member of the Transportation Work Group responsible for public transportation within Whistler and nearby areas.

CAPITALIZING ON ANY NEWLY PROMISED FEDERAL SUPPORT FOR TRANSIT

Canada is the only G-8 country without an urban transportation funding program at the federal level. During the past several years BC Transit has actively worked with the Canadian Urban Transit Association, the Federation of Canadian Municipalities and others in encouraging the federal government to formulate a national transportation strategy for the purposes of

urban infrastructure renewal. The Corporation has also joined others in calling for the dedication of a portion of federal gas tax revenues to improve public transportation, and a change in personal income tax policy to encourage employer-provided transit benefits as an option to free or heavily discounted parking.

Addressing the annual meeting of the Union of BC Municipalities in the fall of 2003 Prime Minister Paul Martin expressed his strong support for such a change.

> ***"...Our country's success depends on the degree to which our communities are places where people want to plant their roots,..... And that comes down to the quality of life that you as municipal governments are able to provide for your citizens. For a rural municipality, it may mean fast transportation links to markets so necessary for good jobs. For a major city it may mean breaking urban gridlock ...So what our goal has to be is to make municipal funding more predictable, more reliable and to an even greater degree, yours to control. But another part of the answer is surely sharing a portion of the gas tax that we collect at the federal level. ...We, the Canadian government, if indeed that comes to pass, will do everything that we can to make that happen no matter how long it takes, we are going to provide Canadian municipalities and provincial governments with a portion of the Federal Gas Tax."***

Together with other provincial agencies and municipal transit partners BC Transit will stay apprised of, and actively support, efforts to realize a federal contribution to public transportation.

CORPORATE GOALS AND OBJECTIVES

BC Transit has identified three key goals essential to the successful achievement of its vision and mission over this plan period.

GOAL 1: SERVICE DELIVERY

Maximize the efficient, cost-effective and innovative use of resources in the provision of safe, customer-oriented services to meet present and evolving market demands.

OBJECTIVES:

- In the Victoria Regional Transit System and the Municipal Systems Program, plan and deliver core services.
- Improve resource utilization, cost containment, revenue maximization and work force productivity.
- Improve transit safety for passengers and transit workers, and reduce the costs of accidents.
- Implement high priority service expansions and enhancements.
- Identify and target services to new and growing markets.

GOAL 2: COMMUNITY DEVELOPMENT

Plan and deliver transit services that meet local smart-growth priorities, furthering the development of safe, healthy communities and a sustainable environment.

OBJECTIVES:

- Identify and adopt new technologies to enhance customer service, environmental quality and transit's community benefits.
- Support regional growth strategies and community planning initiatives.
- Broaden environmental education and climate change efforts through partnerships with all levels of government, and with non-governmental organizations.

GOAL 3: FUNDING AND GOVERNANCE

Support the work of the provincial government in developing a new, sustainable long-term funding and governance structure for public transit in British Columbia.

The Ministry of Transportation, on behalf of the provincial government, was charged with undertaking a funding and governance review of public transit in the province. This review is an outgrowth of the Core Services Review carried out in 2001. The Ministry's consultations in this regard with BC Transit's Board of Directors have been ongoing. As well the Ministry is committed to consulting with the Victoria Regional Transit Commission and participating local governments on options as they are developed.

While this review is underway BC Transit will continue to ensure the provision of efficient and effective operation of public transit, and support the review process as required.

CORPORATE STRATEGIES

The key activities to be carried out in the plan period are described below. These goal statements along with the strategies and associated actions and performance targets are listed in Appendix A of this report.

GOAL 1: SERVICE DELIVERY STRATEGIES

Maximize the efficient, cost-effective and innovative use of resources in the provision of safe, customer-oriented services to meet present and evolving market demands.

Deliver core services:

- Use enhanced data analysis to reallocate service from lower demand periods to areas of higher demand
- Optimize the balance between the market and the vehicle, and between the market and type of service delivery, including community shuttle/paratransit in all systems and bus rapid transit in the Victoria system.

Improve resource utilization, cost containment, revenue maximization and workforce productivity:

- Follow Public Sector Employers' Council (PSEC) guidelines for net compensation levels in collective bargaining activities
- Improve life-cycle maintenance costs using comprehensive job control systems in Victoria, and improved maintenance cost tracking in the Municipal Systems
- Continue to undertake strategic purchasing initiatives to maximize volume discounts for products used province-wide, including negotiation of long-term fuel contracts and use of external expertise to identify savings in purchasing activities
- Assess options on overall asset management, and refine the Corporation's sustainable capital asset management program
- Continue to focus on information technology investments to assist in expenditure reporting, and to support administrative and corporate cost containment
- Implement RFP (request for proposals) process refinements
- Increase revenue from advertising, leases, and other non-core areas of service provision
- Improve fare security and customer convenience by replacing obsolete fareboxes with registering fareboxes and magnetic swipe or other card technologies
- Reduce fuel consumption through SmartDriver Program/federal Fuel Sense Program.

Improve transit safety for passengers and transit workers, and reduce the costs of accidents:

- Reduce workplace and customer accidents
- Implement incentive-based insurance program for contracted operations.

Implement high priority service expansions and enhancements:

- Develop new community partnerships to extend services to areas not presently served, with support of new third-party partners
- Develop implementation strategy for up to six new services linking small communities/rural areas
- Develop a fleet and operational plan for public transportation within Whistler and nearby areas, for 2010 Winter Olympics.

Identify and target services to new and growing markets:

- Examine longer term strategic market growth opportunities
- Develop and implement more flexible and secure new tariff products and fare media, particularly for priority market groups such as secondary students and employer-based programs.
- Develop strategies to link to government priorities: post-secondary education, training and job creation.

GOAL 2: COMMUNITY DEVELOPMENT STRATEGIES

Plan and deliver transit services that meet local smart-growth priorities, furthering the development of safe, healthy communities and a sustainable environment.

Identify and adopt new technologies to enhance customer service, environmental quality and transit's community benefits:

- Conduct and act on recommendations of alternative fuel studies in Kelowna and Whistler
- Introduce hybrid/diesel electric bridging technology
- Participate in Ballard fuel cell/fueling systems research
- Introduce real time customer information for handyDART pick-up and dispatch.

Support regional growth strategies, community planning initiatives and municipal empowerment:

- Deliver transit planning programs that support local priorities
- Support local transportation demand management initiatives.

Broaden environmental education and climate change efforts through partnerships with all levels of government, and with non-governmental organizations:

- Implement environmental education and public transit promotions such as the Canadian Urban Transit Association's Visibility, Image and Positioning (VIP) Program, community energy conservation planning and Travel Smart Program
- Expand Clean Air Day partnership activities with Environment Canada
- In Victoria, work with regional and local partners to formalize an employer-based Transportation Demand Management initiative.

GOAL 3: FUNDING AND GOVERNANCE STRATEGIES

Support the work of the provincial government in developing a new, sustainable long-term funding and governance structure for public transit in British Columbia.

Support the provincial government in defining sustainable new funding arrangements, and an accompanying governance framework:

- Work with local government partners to implement flex-funding to maintain core services
- Support local government partners in their efforts to secure an agreement for federal funding for public transit and pursue funding under any new federal transit support program that may be announced
- Assist communities in pursuing funding under the federal government's recently announced $1 billion Rural Municipal Infrastructure Fund
- Coordinate advocacy efforts with Canadian Urban Transit Association, Federation of Canadian Municipalities and others, and work with partner organizations in encouraging follow through on commitments of Canada's new Prime Minister to introduce measures supporting public transportation.

ALIGNMENT WITH GOVERNMENT'S PRIORITIES

BC Transit's programs and services support the priorities of the provincial government's Strategic Plan in a number of ways.

- ***A strong and vibrant provincial economy*** — BC Transit provides necessary access for citizens to jobs, job retraining, health services and education, and manages its services in an efficient and effective manner.

- ***Safe, healthy communities and a sustainable environment*** — BC Transit contributes to improved environmental quality by reducing traffic congestion, supporting growth strategies and participating in new environmentally-friendly technologies.

- ***A supportive social fabric*** — BC Transit provides essential access for citizens to community activities, education, retraining and social and health services.

SUMMARY FINANCIAL OUTLOOK

The following section provides high-level projections for revenues and expenditures, and also sets out key forecast assumptions and risks.

2004/05 – 2006/07 SUMMARY FINANCIAL OUTLOOK

The three year forecast for the Corporation's revenue and expenses across all programs is presented below in Table 2, followed by a description of key assumptions.

Table 2

BC Transit Corporate Budget Forecast 2003/04 – 2006/07

2003/04 - 2006/07 FORECAST
(Figures in thousands)

	2003/04 Current Forecast*	2004/05 Budget	2005/06 Forecast	2006/07 Forecast
Estimates				
Victoria Operating Costs	49,928	51,184	53,946	53,461
Municipal Systems Operating Costs	57,179	57,724	56,725	56,658
Debt Servicing - Local Share	13,350	14,092	15,425	16,072
Total Expenditures	**120,457**	**123,000**	**126,096**	**126,191**
Service plan financial tables exclude transactions incurred external to the Victoria Regional Transit System and the Municipal Systems Program. These expenditures are funded from sources external to the Provincial operating grant as they do not comprise a component of BC Transit's core operations. Details of these transactions are disclosed in quarterly reports and the audited year-end financial statements.				
Funding				
Provincial Operating Grants	46,269**	45,483	45,483	45,483
Provincial Deferred Revenue	(520)	520	-	-
Passenger & Advertising Revenue	41,684	43,457	43,773	42,452
Local Taxation	33,025	33,540	36,840	38,256
Total Funding	**120,457**	**123,000**	**126,096**	**126,191**
Capital Expenditures				
Prepaid Capital Advance	3,397	6,047	6,958	3,666
Fiscal Agency Loan	5,138	8,961	9,108	4,244
Self Funded	-	375	-	-
Total Capital Expenditures	**8,535**	**15,383**	**16,065**	**7,909**
Debt* **	**95,548**	**102,105**	**112,920**	**114,211**
Imputed Provincial Share of Debt Service	**9,717**	**10,066**	**10,872**	**11,392**
Performance				
Service Hours				
Victoria Regional Transit System	662	675	705	673
Municipal Systems Program	898	905	846	829
Total Service Hours	**1,559**	**1,580**	**1,551**	**1,502**
Passengers				
Victoria Regional Transit System	19,840	19,964	20,302	19,339
Municipal Systems Program	17,646	17,642	16,494	16,328
Total Passengers	**37,486**	**37,606**	**36,796**	**35,667**

** Based on results to September, 2003.*

*** Includes Provincial funding of $1.0M for Accelerated Maintenance Program.*

**** Fiscal Agency Loans, net of sinking fund.*

- Table 2 shows that service hours provided in year 2 and 3 of the plan decline, consistent with the funding available, the cost forecasts and assumptions presented below and the continuation of flex-funding only where local government partners have exercised the option to date. The additional funds required to maintain the 2004/05 service levels would be $2.88 million in 2005/06 and $6.34 million in 2006/07.

KEY ASSUMPTIONS

- The forecast includes $800,000 in supplementary provincial funding for 2004/05 through 2006/07 and the current protected provincial core funding remains at the 2001/02 levels. Supplementary funding is subject to Treasury Board approval each year. In addition, the province has committed $1.0 million for an accelerated maintenance program to be expended no later than March 31, 2005.
- Local partners can elect to increase their share of funding to maintain or increase service levels, although they are not compelled to do so. For purposes of this plan only currently confirmed flex-funding arrangements are incorporated in the budget.

Victoria Regional Transit System cost assumptions reflect the following:

- net wage and salary compensation reflect government compensation guidelines with no increase over the plan period
- flex-funding, fare and tax increases approved by the Victoria Transit Commission come into effect in 2004/05
- materials and services inflation per the provincial governments' First Quarter Report on the Economy, Fiscal Situation and Outlook, 2.0% – 2.2%
- insurance cost increases of 9% in 2004/05 and at the projected inflation rate thereafter
- fuel costs based on US$ 24.78/bbl until March 2005 and at the projected inflation rate thereafter
- maintenance costs reflect required maintenance previously deferred, major component overhauls and mid-life tune-ups.

Municipal Systems Program cost assumptions reflect the following:

- known contracts (collective agreements, contract terms with operating companies, building leases, etc.)
- 2% annual increase in fixed costs
- 1% annual increase in employee benefit related cost in 2004/05 (excluding contracts noted above) and at projected inflation rate thereafter
- flex-funding continues in those areas which have currently approved a shift in the cost sharing formula
- materials and services inflation per First Quarter Report on the Economy, Fiscal Situation and Outlook, 2.0% – 2.2%

- fuel costs based on US$ 24.78/bbl until March 2005 and at the projected inflation rate thereafter
- increased insurance costs of 11% in 2004/05 and at the projected inflation rate thereafter
- maintenance costs reflect required maintenance previously deferred, major component overhauls and mid-life tune-ups, and the beginning of the first overhaul cycle of bus fleet.

FORECAST RISK FACTORS AND SENSITIVITIES

Significant risks associated with the budgets for the coming years include:

- Transit's long-term fuel supply agreement expires on March 31, 2005. This agree ment was executed at $24.78/barrel (US dollars). After March 2005, input prices and exchange rates are subject to market fluctuations. Oil prices are extremely volatile.
- The cost of maintenance, insurance and certain benefits increased dramatically in the last two years. Maintenance expenditures are difficult to predict. The newest vehicles include advanced electronic systems, air conditioning, and greater complexity in the drive train and other major components, contributing to a continuing challenge to manage fleet maintenance costs.
- Collective agreements and operating contracts expire in several communities every year. In an average year, a 1% change in benefits and associated costs totals approximately $25,000 in annual expenditures. Cost for employee benefits have stabilized in 2004/05. Future rate increases are subject to significant risk.
- Insurance costs are experiencing continued volatility, particularly for liability coverage.
- The RFP process in the Municipal Systems Program is subject to competitive bidding and local market factors that may expose transit to cost increases beyond the key assumptions.
- Interest rates are at historic lows and are anticipated to remain at these levels through 2006/07. In addition, borrowings over the plan period are significantly below historic levels.

Table 3 below indicates the external risk factors beyond the company's direct control which may have an impact on the budget, and sensitivity analysis corresponding to cost increases/decreases.

Table 3

Risk Factors and Sensitivities

Risk Factor		Dollar Exposure		
		Victoria	Municipal Systems	Total
Maintenance Parts Pricing	1%	$41,000	$75,000	$116,000
Interest Rates per million (new issues)	1%			$110,000
Fuel	1%	$40,000	$50,000	$90,000
Benefits	1%	$69,000		$69,000
RFP Process	1%		$25,000	$25,000
Insurance	1%	$8,000	$15,000	$23,000
Benefit costs (Municipal Systems)	1%	$0	$25,000	$25,000

PERFORMANCE MEASURES, TARGETS AND BENCHMARKS

This section includes a discussion of key performance measures and targets by program area (VRTS and Municipal Systems) for the three year plan period. Industry-wide standard indicators are used to monitor BC Transit's achievement of performance goals. These measures are defined in Appendix B.

BC Transit's systems' performance is also benchmarked against comparable Canadian transit systems using the most recently available data from the Canadian Urban Transit Association for 2002.

SERVICE PERFORMANCE FORECAST 2004/05 – 2006/07

VICTORIA REGIONAL TRANSIT SYSTEM

Table 4 below presents performance measures for the Victoria Regional Transit System's conventional and custom transit services.

Table 4

Victoria Regional Transit System

Forecast Performance Measures 2003/04 – 2006/07

	2003/04 Forecast	2004/05 Projection	2005/06 Projection	2006/07 Projection
CONVENTIONAL				
SERVICE EFFECTIVENESS				
Service Hours *(thousands)*	561	569	597	565
Revenue Passengers *(thousands)*	19,489	19,589	19,919	18,954
Revenue Passengers / Service Hour	34.8	34.4	33.4	33.5
Rides / Capita	58.2	58.0	58.5	55.2
COST EFFICIENCY				
Operating Cost Recovery	50.4%	52.6%	52.3%	49.7%
Operating Cost Per hour	$80.37	$81.15	$81.02	$84.50
Operating Cost per Revenue Passenger	$2.31	$2.36	$2.43	$2.52
CUSTOM				
SERVICE EFFECTIVENESS				
Service Hours *(thousands)*	101	106	108	108
Revenue Passengers -Total *(thousands)*	351	375	383	385
Revenue Passengers - Van *(thousands)*	278	288	293	293
Revenue Passengers / Service Hour - Van	2.8	2.7	2.7	2.7
COST EFFICIENCY				
Operating Cost Recovery - Total	6.5%	6.4%	5.8%	5.6%
Operating Cost Per hour - Van	$44.53	$43.68	$48.11	$49.40
Operating Cost per Revenue Passenger - Total	$13.85	$13.35	$14.57	$14.85

Custom ridership includes Taxi Saver Program

The highlights of performance presented above for the VRTS in the next three years are as follows:

- In the conventional system — passengers per service hour are forecast to drop slightly in years 1 and 2 of the plan period as new services implemented during these years start at lower ridership levels and then build in subsequent years.
- Operating cost per hour is forecast to increase through 2006/07 primarily as a result of planned maintenance expenditures. The significant increase in 2006/07 is attributable to diseconomies of scale on reduced service hours. Cost containment strategies target lowest life cycle costs. For fleet, the life cycle cost includes the combination of vehicle replacement strategy, debt financing on capital purchase and maintenance expenditures.
- Slight increases in cost per revenue passenger on the conventional side reflect higher vehicle maintenance expenditures and other cost increases, partially offset by increased ridership.
- Custom transit service hour growth will support higher ridership but there will be a continuation of unmet demand for trips by seniors and persons with disabilities. Riders per service hour wil increase slightly with further improvements in dispatch efficiency. Due to input cost increases, costs per hour and per passenger will increase.
- Table 4 assumes a proposed tariff increase is in place by April 1, 2004. As a result, cost recovery increases slightly in 2004/05 then diminishes slightly thereafter in both conventional and custom transit.

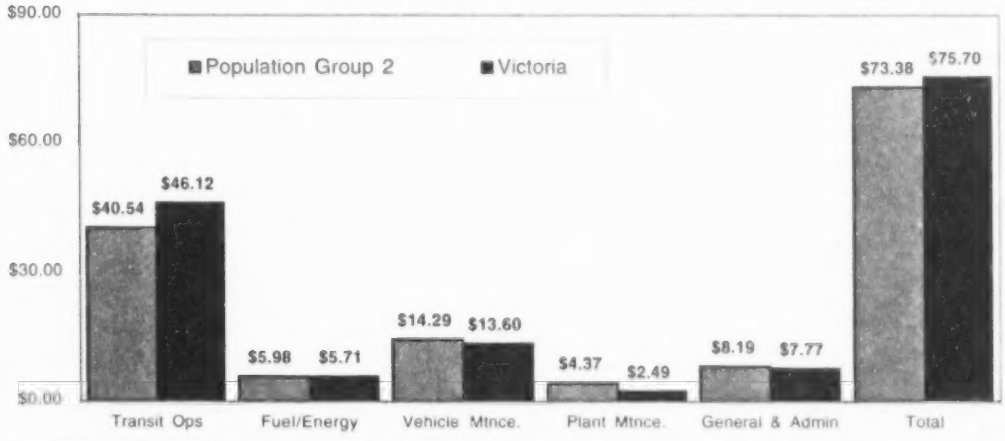
VICTORIA REGIONAL TRANSIT SYSTEM BENCHMARKING

The graphs presented in Tables 5 and 6 compare the performance of the Victoria conventional transit system to the average for Group 2 systems (population served of 150,000 – 400,000) based on data supplied by the Canadian Urban Transit Association (CUTA) for the most current year available.

Table 5

Victoria Regional Transit System Financial Benchmarks 2002

Canadian Transit System Comparison (operating cost per hour)

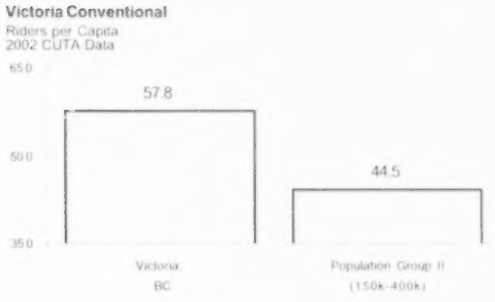


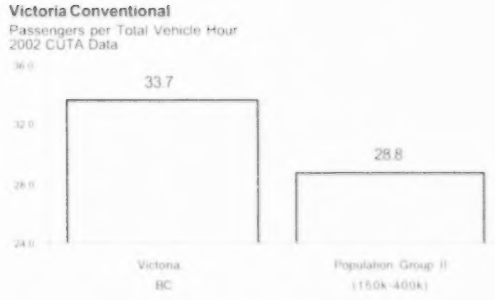
- As shown in Table 5, the VRTS compares favourably in terms of administration and maintenance, but fairs less well with respect to direct operating costs. This reflects the higher wages, benefits, and work rule costs for this system. The performance efficiency and cost containment initiatives outlined under the Service Delivery (Goal 1) Strategy will ensure that BC Transit – VRTS costs continue to outperform industry averages in fuel, administration and maintenance over the plan period, and that the operating cost per service hour in Table 5 is managed to a level that brings the total cost per service hour in line with the average of the CUTA peer systems.

Table 6

Victoria Regional Transit System Performance Benchmarks 2002

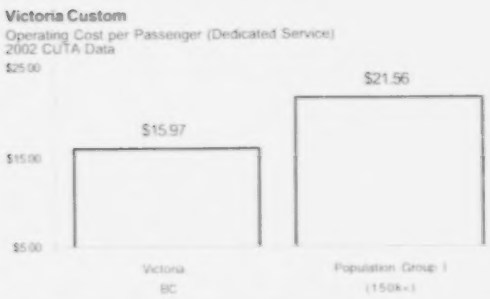
Canadian Transit System Comparison

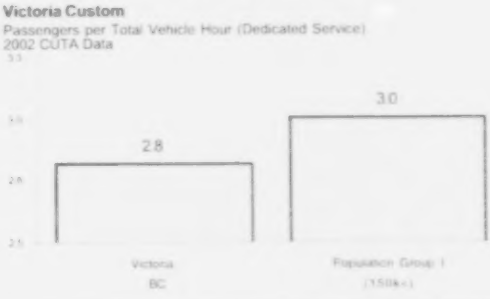




- Generally, performance of the conventional service is well above the Canadian average on the basis of these standard measures of efficiency and effectiveness in all areas except operating cost per hour. The operating cost ranking is still in the middle of the range for peer systems despite the higher wage and benefit costs of the region noted in the previous Table. In addition, most of the comparable transit systems are line departments within a municipality, with the costs of central corporate services such as payroll, human resources and legal services not fully allocated to the transit operation.

The charts below highlight Custom Transit performance in Victoria compared to the peer system average.





- The operating cost per passenger is very favourable to the peer average as a result of dispatching efficiencies and the competitive bidding process. The passengers per vehicle hour are slightly below the peer average. Regional demographics, average trip length and vehicle size can impact the ratio comparative. The Victoria Custom transit system is operating near capacity and is projected to continue at capacity over the plan period even with the noted expansion in service hours.

SERVICE PERFORMANCE FORECAST 2004/05 – 2006/07
MUNICIPAL SYSTEMS PROGRAM

Table 7 below presents performance measures for the Municipal Systems Program conventional and custom transit services.

Table 7

Municipal Systems Program

Forecast Performance Measures 2003/04 – 2006/07

	2003/04 Forecast	2004/05 Projection	2005/06 Projection	2006/07 Projection
CONVENTIONAL				
SERVICE EFFECTIVENESS				
Service Hours *(thousands)*	662	664	605	588
Revenue Passengers *(thousands)*	16,353	16,346	15,190	15,016
Revenue Passengers / Service Hour	24.7	24.6	25.1	25.5
Rides / Capita	19.7	19.3	17.6	17.0
COST EFFICIENCY				
Operating Cost Recovery	37.0%	37.0%	36.6%	37.2%
Operating Cost Per hour	$68.49	$68.93	$73.21	$74.89
Operating Cost per Revenue Passenger	$2.77	$2.80	$2.92	$2.93
CUSTOM / PARATRANSIT				
SERVICE EFFECTIVENESS				
Service Hours *(thousands)*	236	241	241	241
Revenue Passengers -Total *(thousands)*	1,293	1,296	1,304	1,313
Revenue Passengers - Van *(thousands)*	1,122	1,138	1,146	1,155
Revenue Passengers / Service Hour - Van	4.8	4.7	4.8	4.8
COST EFFICIENCY				
Operating Cost Recovery - Total	15.8%	15.8%	15.6%	15.8%
Operating Cost Per hour - Van	$46.74	$45.94	$47.92	$48.78
Operating Cost per Revenue Passenger - Total	$9.75	$9.80	$10.22	$10.41

In the Municipal Systems the performance highlights reflected above are as follows:

- On the conventional side, service hours will be reduced throughout the period to work within the budget resources identified for the program in Table 2. This will result in a lower level of ridership, reversing the historic trend of strong growth in passenger levels in the Municipal Systems. By the end of the plan period, productivity (measured as passengers per hour) is forecast to be marginally higher reflecting assumptions that service reductions will be targeted more toward lower performing services.

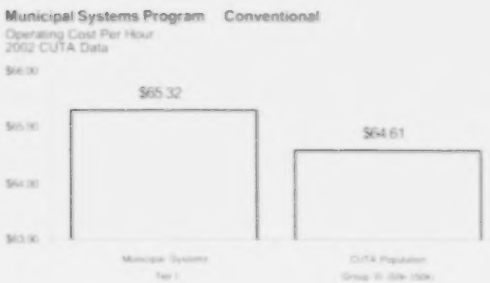
- Operating cost per hour for conventional service will increase with inflation, higher maintenance costs and diseconomies of scale attributable to reduced service levels. Transit operations are subject to competitive bidding but an increase in cost per passenger is forecast due to reduced ridership and the diseconomies of scale.
- Cost recovery is expected to remain stable in the 37% range for conventional services and 16% for custom and paratransit systems.
- In the custom transit program, including handyDARTand paratransit, service hours are maintained over the plan period. It is expected that historic passenger growth trends will be reversed, with annual ridership growth reduced and an increase in unfilled trip requests. Cost recovery is forecast to remain constant during the three year period, and cost per passenger is forecast to increase.

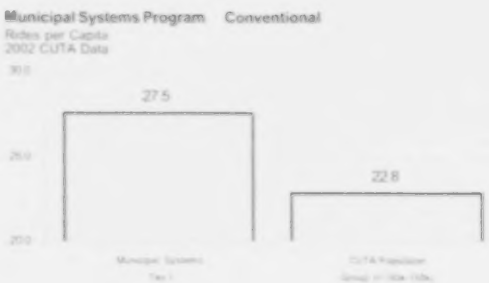
MUNICIPAL SYSTEMS PROGRAM BENCHMARKING

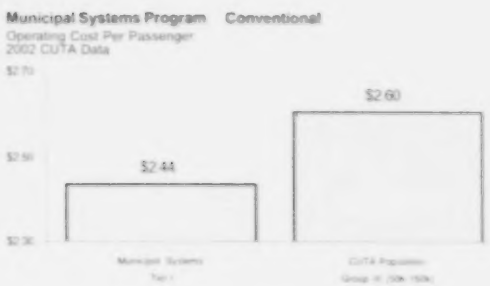
The graphs presented in Table 8 below benchmark Municipal Systems performance in Tier 1 communities (50,000+ population, plus Whistler) against comparative data from the Canadian Urban Transit Association (CUTA). The results for CUTA are for Population Group 3, from 50,000 to 150,000 residents, and the most recent year available (2002). They are compared to Municipal Systems Program figures for 2002/03.

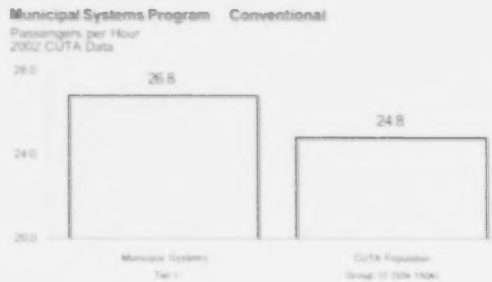
Table 8

Municipal Systems Program Performance Benchmarks 2002
Canadian Transit System Comparison



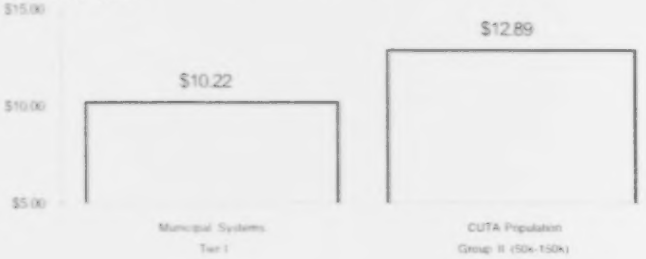




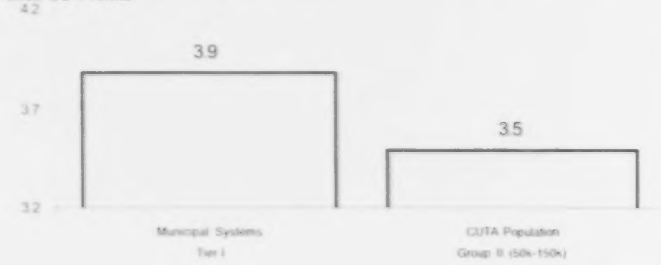


- The six Tier 1 conventional transit systems of the Municipal Systems Program represent 67% of the total conventional transit service in the program. They perform better than their Canadian counterparts in a number of areas. The transit systems in BC have a higher number of passengers per service hour, a lower operating cost per passenger and more rides per capita. They have a slightly higher operating cost per hour of $0.71 or about 1%. Many of the CUTA peer systems are a line department of a municipality, with some corporate services such as payroll, human resources and legal services located elsewhere in the municipal organization and the costs of these are not fully allocated to the transit operation.

Municipal Systems Program
Custom
Operating Cost Per Passenger (Dedicated Service)
2002 CUTA Data



Municipal Systems Program
Custom
Passengers per Hour (Dedicated Service)
2002 CUTA Data



- The five Tier 1 custom transit systems of the Municipal Systems Program represent 42% of the total custom/paratransit service in the program. They perform better than their Canadian counterparts with a higher passengers-per-hour service and a significantly lower cost per ride.

Appendices

APPENDIX A
STRATEGIES/ACTION PLANS AND PERFORMANCE TARGETS FOR 2004-2007

GOAL 1 - SERVICE DELIVERY

Maximize the efficient, cost-effective and innovative use of resources in the provision of safe customer-oriented services to meet present and evolving market demands

OBJECTIVES	STRATEGIES	PERFORMANCE MEASURES/TARGETS
Deliver core services	• Ongoing reallocation from lower to higher productivity services • Optimizing balance between the market and the vehicle, and between the market and type of service delivery (e.g. community shuttle, bus rapid transit)	• Improvement in average rides/hour program-wide • Increasing average vehicle load factor through increased use of high capacity and community shuttle vehicles and services
Improve resource utilization, cost containment, revenue maximization and workforce productivity	• PSEC guidelines for employee negotiations • Maintenance cost control • Strategic purchasing initiatives • Sustainable funding for capital asset management program • Info technology investments / administrative cost control • RFP process refinement • Improve fare security and flexibility with new technology • Reduce fuel consumption through SmartDriver Program/Fuel Sense Program	• Zero change in net compensation for VRTS • On average, maintenance running repair costs increase less than the rate of inflation for VRTS over plan period • Use private sector expertise to identify lowest price purchasing strategies – target below current price • Enhanced reporting/tracking to reduce the % of assets beyond economic life • All key business processes integrated into the core Enterprise System by Year 2 • Enhanced accountability in service support/facility management requirement for contract operators • Implement new fare technology in all MS Tier 1 systems by Year 3 (subject to local approval) • Reduction of 3% in fuel consumption per km –VRTS in Year 1, MS – Tier 1 in Year 2
Improve transit safety for passengers and transit workers, and reduce the costs of accidents	• Reduce workplace and customer accidents • Incentive-based insurance programs in contracts	• VRTS – reduction in employee/workplace accidents below 2003/04 actual • All systems - reduction in vehicle accidents and passenger injuries - reduction of 5% by 2005/06 • Improve premium rebate rates
Implement high priority service expansions and enhancements	• New services linking small communities /rural areas • Developing new partnerships to support new services • 2010 Whistler Olympics public transportation planning for Whistler local component	• Develop implementation strategies for six new services in rural areas • Implement three new partnerships per year • Whistler Preliminary Transportation Operations Plan by end of Year 3
Identify and target services to new and growing markets	• Longer term examination of strategic market growth opportunities • Develop and package new tariff products/fare media • Develop strategies to link to government priorities: post-secondary education and training, job creation	• Implement three new UPass programs over three years • Launch UPass type program at high school level in VRTS by Year 2 • Demonstration of direct buy fare sales in one location

GOAL 2 - COMMUNITY DEVELOPMENT

Plan and deliver transit services that meet local smart-growth priorities, furthering the development of safe, healthy communities, and a sustainable environment.

OBJECTIVES	STRATEGIES	PERFORMANCE MEASURES/TARGETS
Identify and adopt new technologies to enhance customer service, environmental quality and transit's community benefits	• Active participation in public/ private alliances supporting emerging technologies	• Complete Canadian Transportation Fuel Cell Alliance major study by end of Year 1
	• Partner in federally funded alternative fuel studies (Kelowna and Whistler)	• 2 studies - Year 1; 1 study - Year 2
	• Identify funding partners and resources to commence implementation of hybrid/diesel electric bridging technology	• Secure funding partner for hybrid bus technology implementation
	• Identify next steps in Ballard fuel cell engine research development and testing	• Complete fuel cell engine testing and review final report from Ballard with project partners. Develop plan by end of Year 1
	• Introduce real time customer information for handyDART pick-up and dispatch	• Increase in ridership/ handyDART productivity through federally cost shared project in Victoria Region
Support regional growth strategies, community planning initiatives and municipal empowerment	• Continue to deliver transit planning programs that satisfy local priorities • Support local TDM (transportation demand management) initiatives	• Complete annual service plans in all systems and major 5-Year Development and/or Strategic Plan for VRTS and Tier 1 MS at least once in 3-year plan cycle
Broaden environmental education and climate change efforts through partnerships with all levels of government, and with non-governmental organizations	• Environmental education and public transit promotions – e.g. CUTA's VIP program, community energy conservation planning and Travel Smart program • Expand Clean Air Day partnership activities with Environment Canada	• Work with CRD and community representatives to formalize employer-based TDM initiative in VRTS • Expand annual Clean Air Day program to an additional 4 communities by Year 1

GOAL 3 - FUNDING AND GOVERNANCE

Support the work of the provincial government in developing a new, sustainable long-term funding and governance structure for public transit in BC.

OBJECTIVES	STRATEGIES	PERFORMANCE MEASURES/TARGETS
Support the provincial government in defining sustainable new funding arrangements and an accompanying governance framework	• Support public consultation regarding transit funding and governance by local goverment and the province, and pending outcome, work with local government partners to implement flex-funding to maintain core services	• On-going
Support local government partners in their efforts to secure an agreement for federal funding for public transit	• Coordinate advocacy efforts with CUTA, FCM and others	• Participate in/support all UBCM, FCM and CUTA lobby activities targeting federal support for cities/transportation
	• Work with municipal partners to pursue funding under the new Rural Municipal Infrastructure Fund	• Work with municipal funding partners to submit at least two proposals annually for federal funding
	• Pursue funding under any new federal transit support programs	

APPENDIX B
EXPLANATION OF STATISTICS AND PERFORMANCE MEASURES USED

STATISTICS

Statistics include operational outputs and transit service area statistics. These factors, when used in a ratio, indicate commonly compared industry standard performance measures.

Total service hours represent the total number of hours that the transit fleet is in regular passenger service.

Revenue passengers represent transit riders who have made one fare payment to use the transit service. (Passengers who use a transfer and board more than one bus to complete a trip are only counted once.)

Operating cost includes all transit expenditures with the exception of debt servicing.

Operating revenues include passenger and advertising revenue. It excludes property tax and fuel tax revenue.

Population is for the defined transit service area.

PERFORMANCE MEASURES

Performance measures are statistical ratios combining system outputs, and transit service area statistics to benchmark performance within the industry and operational trends over time.

Cost Recovery reflects annual operating revenue divided by total annual cost. This ratio indicates the proportion of costs recovered from operating revenue. Fares are established by the local partners. A strong cost recovery is desirable, as it reduces the subsidy from the taxpayer. This factor, however, is a municipal policy decision.

Operating cost per passenger reflects annual operating cost divided by annual passengers carried. This ratio indicates the efficiency of transit expenditures directed toward passengers carried. Consistent or decreasing cost per passenger indicates that ridership is growing faster than costs.

Operating cost per hour reflects annual operating cost divided by annual total service hours. The ratio also reflects efficiency. Increasing cost per hour indicates operating costs are increasing faster than service hours.

Rides per capita reflect annual passengers carried divided by regional population. This is a measure of market share and effectiveness in services that transit markets.

Passengers per hour reflect annual passengers divided by annual total service hours. This ratio is a primary measure of the effectiveness of the service provided. The ratio improves with lower average trip lengths, or higher average speeds.

BC Transit
Governance Structure